

Message Text

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ACTION EUR-25

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E. O. 11652: N/A

TAGS: ENRG, ETRD, BBAK, RO

SUBJECT: ROMANIAN INTEREST IN US COKING COAL

REF: (A) BUCHAREST 3223 (B) STATE 165586 (C) BUCHAREST 3555
(D) STATE 181563

1. DURING CALL SEPTEMBER 18 TO INTRODUCE DCM TO MINISTER, STATE SECRETARY FOR FOREIGN TRADE NICOLAE, THE MINISTER TOOK THE OCCASION TO HAND OVER TO THE AMBASSADOR A PREPARED, INFORMAL WRITTEN DESCRIPTION OF CURRENT SITUATION CONCERNING LONG-TERM CONTRACT BETWEEN ROMANIAN FOREIGN TRADE ORGANIZATION MINERALIMPORTEXPORT AND US FIRM CONSOLIDATION COAL.

2. SITUATION DESCRIBED BY NICOLAE IS ESSENTIALLY THE SAME AS THAT BROUGHT UP EARLIER WITH THE AMBASSADOR BY MINISTER OF METALLURGICAL INDUSTRIES AGACHI (REFTEL A). FUNDAMENTAL PROBLEM FOR ROMANIANS REMAINS THAT OF SECURING SHIPMENTS OF OUTSTANDING BALANCE OF COKING COAL, ABOUT 150,000 TONS, UNDER TERMS OF CONTRACT FOR 1974. SINCE THIS YEAR'S DELIVERY CONTRACT HAS NOT BEEN FULFILLED AND, ACCORDING TO ROMANIANS, NOT LIKELY TO BE FULFILLED, GOR OFFICIALS ARE ALSO CONCERNED ABOUT RECEIVING DELIVERY ON 1975 CONTRACT WITH CONSOLIDATION COVERING 500,000 TONS COKING COAL.

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3. NICOLAE DESCRIBED THE NON-DELIVERY AS HAVING A "SERIOUS IMPACT" ON ROMANIAN ECONOMY. HE WONDERED WHETHER CONSOLIDATION PERHAPS FELT ITS CONTRACT COMMITMENTS TO ROMANIA WERE TOO SMALL TO BE CONCERNED ABOUT BUT ASSURED US FOR AN ECONOMY THE SIZE OF ROMANIA THE QUANTITIES INVOLVED DID INDEED CREATE REAL PROBLEMS. HE ALSO MENTIONED ROMANIAN DESIRE TO INCREASE US COKING COAL IMPORTS TO ABOUT ONE TO ONE AND A HALF MILLION TONS PER YEAR, SAYING HE HOPED CONSOLIDATION UNDERSTOOD THAT ROMANIA WAS PREPARED TO WORK OUT CONTRACT LANGUAGE TO INSURE THAT PRICES PAID UNDER CURRENT OR NEW CONTRACT WOULD REFLECT WORLD PRICES. UNDER THESE CIRCUMSTANCES HE URGED THE AMBASSADOR TO LOOK INTO THE MATTER AGAIN. THE AMBASSADOR REFERRED TO THE INCREASED DEMAND FOR COAL IN THE US AND TO THE CONTINUING SHORT SUPPLY SITUATION AS THE LIKELY REASONS BEHIND THIS DEVELOPMENT, BUT PROMISED TO PASS ON THE MINISTER'S CONCERN TO WASHINGTON.

4. WE WOULD APPRECIATE AS SOON AS POSSIBLE REPORT ON THE CURRENT STATUS OF THIS MAJOR CONTRACT AND ANY OTHER BACKGROUND INFORMATION CONCERNING THE US SUPPLY SITUATION, POSSIBLE EFFECTS OF A MINEWORKERS' STRIKE, WAGE NEGOTIATIONS, ETC., WHICH WE COULD USE IN RESPONDING TO THE MINISTER. GIVEN THE IMPORTANCE OF THE IRON AND STEEL INDUSTRY IN ROMANIA, BOTH FOR THE COUNTRY'S GENERAL DEVELOPMENT AS WELL AS FOR ITS EXPORT COMMITMENTS, WE DO NOT FEEL NICOLAE WAS EXAGGERATING IN DESCRIBING THE SITUATION AS HAVING A SERIOUS IMPACT ON THE WHOLE ECONOMY. ALLOWING FOR THE DIFFICULT COAL SUPPLY SITUATION IN THE US, WE WOULD HOPE STATE/ COMMERCE COULD EXPLORE ALL THE SOURCES, PERHAPS LIKE ISLAND CREEK, FOR AT LEAST SOME ADDITIONAL QUANTITIES OF COAL IF CONSOLIDATION OFFERS NO PROSPECTS FOR THE REST OF THIS YEAR.
BARNES

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